

Siyancuma

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

SIYANCUMA LOCAL MUNICIPALITY

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SIYANCUMA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Siyancuma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

Siyancuma Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Siyancuma Municipality includes the following areas:

Douglas
Griekwastad
Campbell
Schmidsdrift

MEMBERS OF THE COUNCIL

Mayor	<i>L. Oliphant</i>
Councillor	<i>J. George</i>
Councillor	<i>M. Selebogo</i>
Councillor	<i>S. Mosette</i>
Councillor	<i>P. Mc Klein</i>
Councillor	<i>D. Koopman</i>
Councillor	<i>A. Oliphant</i>
Councillor	<i>M. Eland</i>
Councillor	<i>V. Adams</i>
Councillor	<i>R. Booysen</i>
Councillor	<i>L. Van Niekerk</i>

MUNICIPAL MANAGER

H.F. Nel

CHIEF FINANCIAL OFFICER

C.J.B. Müller

REGISTERED OFFICE

<i>7 Charl Street</i>	<i>P.O. Box 27</i>
<i>Douglas</i>	<i>Douglas</i>
<i>8730</i>	<i>8730</i>

AUDITORS

Auditor-General (NC)
Private Bag X5013
KIMBERLEY
8300

PRINCIPLE BANKERS

Standard Bank, Douglas *First National Bank, Douglas*

ATTORNEYS

Herman van Heerder Attorneys

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

SIYANCUMA LOCAL MUNICIPALITY

MEMBERS OF THE SIYANCUMA LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	<i>J. George</i>
2	<i>M. Selebogo</i>
3	<i>S. Mosetle</i>
4	<i>P. Mc Klein</i>
5	<i>D. Koopman</i>
6	<i>A. Oliphant</i>
Proportional	<i>L. Oliphant</i>
Proportional	<i>M. Eland</i>
Proportional	<i>V. Adams</i>
Proportional	<i>R. Booysen</i>
Proportional	<i>L. Van Niekerk</i>

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 81 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

H.F. Nel
Municipal Manager

31 August 2013
Date

SIYANCUMA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R (Actual)	2012 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		286 025 776	278 023 581
Accumulated Surplus		286 025 776	278 023 581
Non-Current Liabilities		23 252 926	18 955 592
Long-term Liabilities	2	6 332 560	4 077 564
Employee benefits	3	11 439 600	9 930 579
Non-Current Provisions	4	5 480 766	4 947 449
Current Liabilities		27 874 909	31 447 802
Consumer Deposits	5	187 555	175 382
Current Employee benefits	6	4 148 671	2 823 034
Payables From Exchange Transactions	7	11 279 709	4 678 812
Unspent Conditional Government Grants and Receipts	8	10 118 985	22 449 946
Current Portion of Long-term Liabilities	2	2 139 988	1 320 628
Total Net Assets and Liabilities		337 153 611	328 426 975
ASSETS			
Non-Current Assets		310 874 661	291 294 861
Property, Plant and Equipment	10	297 971 085	278 980 815
Investment Property	11	9 982 000	9 982 000
Intangible Assets	12	458 273	484 423
Biological Assets	13	1 613 900	1 059 200
Capitalised Restoration Cost	14	711 399	677 179
Operating Lease Asset	19	138 004	111 244
Current Assets		26 278 950	37 132 115
Inventory	15	422 030	207 092
Trade Receivables from exchange transactions	16	10 485 821	10 179 327
Other Receivables from non-exchange transactions	17	935 326	1 069 565
Taxes	9	7 650 550	1 818 073
Cash and Cash Equivalents	20	6 785 223	23 858 057
Total Assets		337 153 611	328 426 975

SIYANCUMA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R	Correction of error R	2012 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		72 933 044	49 683 923	(1 858)	49 685 781
Taxation Revenue		6 938 466	5 767 672	-	5 767 672
Property taxes	21	6 938 466	5 767 672	-	5 767 672
Transfer Revenue		65 272 664	41 125 778	-	41 125 778
Government Grants and Subsidies - Capital	22	27 022 396	7 121 879	-	7 121 879
Government Grants and Subsidies - Operating	22	38 250 268	34 003 899	-	34 003 899
Other Revenue		721 914	2 790 473	(1 858)	2 792 331
Third Party Payments		-	87 701	-	87 701
Fines		48 085	49 650	(1 800)	51 450
Licences and Permits		13 327	6 468	(58)	6 526
Gain on disposal of PPE		-	25 329	-	25 329
Actuarial Gains	3	-	358 348	-	358 348
Contributed PPE	10	105 802	1 671 477	-	1 671 477
Change in fair value of biological assets	13	554 700	591 500	-	591 500
Revenue from Exchange Transactions		42 325 198	33 584 966	-8 428	33 593 394
Service Charges	23	39 400 504	31 054 107	(68)	31 054 175
Rental of Facilities and Equipment		415 943	248 815	(3 841)	252 656
Interest Earned - external investments		874 602	974 632	4 339	970 293
Interest Earned - outstanding debtors		561 324	472 737	-	472 737
Agency Services		754 909	532 873	-	532 873
Other Income	24	317 916	301 801	(8 859)	310 660
Total Revenue		115 258 242	83 268 889	(10 286)	83 279 175
EXPENDITURE					
Employee related costs	25	35 871 254	28 293 390	-81 329	28 374 719
Remuneration of Councillors	26	3 065 848	2 322 056	-	2 322 056
Debt Impairment	27	11 158 154	8 124 449	-	8 124 449
Collection Cost		-	-	-	-
Depreciation and Amortisation	10	11 243 828	11 033 504	-	11 033 504
Repairs and Maintenance		4 489 728	3 070 020	-	3 070 020
Actuarial losses	3	899 665	231 205	-	231 205
Finance Charges	28	2 379 604	1 527 172	1 026	1 526 146
Bulk Purchases	29	23 306 142	20 925 178	-	20 925 178
Grants and Subsidies Paid	30	-	14 350	-	14 350
Other Operating Grant Expenditure	31	1 487 900	2 194 896	-	2 194 896
Loss on disposal of PPE	10	90 298	61 697	-	61 697
General Expenses	32	13 263 664	8 895 456	106 029	8 789 427
Total Expenditure		107 256 085	86 693 374	25 727	86 667 647
NET SURPLUS/(DEFICIT) FOR THE YEAR		8 002 157	(3 424 485)	(36 013)	(3 388 472)

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Accumulated Surplus/ (Deficit)	Total
		R	R
Balance at 1 July 2011		285 026 608	285 026 608
Correction of error	33.09	-3 578 554	-3 578 554
Restated Balance at 1 July 2011		281 448 054	281 448 054
Net Surplus for the year		-3 388 472	-3 388 472
Correction of error	33.10	-36 013	-36 013
Rounding		12	12
Restated Balance at 1 July 2012		278 023 581	278 023 581
Net Surplus for the year		8 002 157	8 002 157
Rounding		38	38
Balance at 30 June 2013		286 025 776	286 025 776

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		16 894 431	41 692 237
Government - operating		38 250 268	34 003 899
Government - capital		27 022 396	7 121 879
Interest		1 435 926	1 447 369
Dividends		-	-
Payments			
Suppliers and employees		(71 156 153)	(63 940 749)
Finance charges		(2 379 604)	(1 527 172)
Transfers and Grants		-	(14 350)
Net Cash from Operating Activities	34	10 067 265	18 783 113
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(27 196 835)	(9 368 590)
Proceeds on Disposal of Fixed Assets		1 750 640	103 500
Proceeds on Disposal of Investment Properties		-	-
Purchase of Intangible Assets	12	(47 149)	(25 700)
(Increase)/Decrease in Biological Assets		-	-
(Increase)/Decrease in Assets held for sale		-	-
(Increase)/Decrease in Non-current Investments		-	-
Net Cash from Investing Activities		-25 493 344	(9 290 790)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans raised		1 637 581	2 246 925
Loans (repaid)		(3 296 546)	(1 036 372)
(Increase)/Decrease in Long-term Receivables		-	-
Increase/(Decrease) in Non-Current Provisions		-	-
Increase/(Decrease) in Consumer Deposits		12 173	(9 102)
Rounding		38	15
Net Cash from Financing Activities		(1 646 755)	1 201 466
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17 072 834)	10 693 789
Cash and Cash Equivalents at the beginning of the year		23 858 057	13 164 268
Cash and Cash Equivalents at the end of the year	35	6 785 223	23 858 057
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17 072 834)	10 693 789

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown
GRAP 7 (Revised – Mar 2012)	Investments in Associate This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does have any interest in associates.	1 April 2013
GRAP 8 (Revised – Nov 2010)	Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	<p>interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	<p>combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.12. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

-
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.14.1 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.14.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.14.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	55-60	Buildings	6-105
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-85	Other vehicles	8-12

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Water	5-70	Office equipment	3-7
Sewerage	10-75	Furniture and fittings	1-35
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	6-105	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	50-105	Landfill sites	15
Libraries	30-105	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	1-35	Computer equipment	1-20
<u>Finance lease assets</u>			
Office equipment	3-11		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5-10

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INVESTMENT PROPERTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.17.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18 HERITAGE ASSETS

1.18.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.18.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.18.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19 BIOLOGICAL ASSETS

1.19.1 Initial Recognition

A biological asset or agricultural produce is recognised when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

1.19.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

1.20. NON-CURRENT ASSETS HELD FOR SALE

1.20.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.20.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information

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- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

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recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
 - A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the

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asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.23.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities

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are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For

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the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.23.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3 **De-recognition of Financial Instruments**

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24. REVENUE

1.24.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- The amount of revenue can be measured reliably.
 - It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
 - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.30.1 *Post retirement medical obligations and Long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.30.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.30.3 *Property, Plant and Equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.30.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.30.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30.8 Provision for Landfill Sites

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.30.9 Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

1.30.10 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.30.11 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.30.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.32. CAPITAL COMMITMENTS

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

SIYANCUMA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	1 284 782	2 502 532	(1 217 750)	Revenue not realised as expected, payment of R700 000 towards Electricity project from own funds
Call investment deposits	5 500 441	21 509 240	(16 008 799)	Late implementation of projects
Consumer debtors	18 136 371	3 000 892	15 135 479	Debt collection not effective
Other Receivables	935 326	5 088 707	(4 153 381)	An effort was made to clear other/receivables debtors
Current portion of long-term receivables	-	-	-	
Inventory	422 030	207 092	214 938	Greater focus on repairs and maintenance required more inventory
Total current assets	26 278 950	32 308 463	(6 029 513)	
Non current assets				
Long-term receivables	138 004	-	138 004	Not budgeted for
Investments	-	-	-	
Investment property	9 982 000	9 982 000	-	
Property, plant and equipment	298 682 483	296 716 796	1 965 687	
Biological Assets	1 613 900	1 059 200	554 700	Value of game increased
Intangible Assets	458 273	480 154	(21 881)	
Heritage Assets	-	-	-	
Total non current assets	310 874 661	308 238 150	2 636 511	
TOTAL ASSETS	337 153 611	340 546 613	(3 393 002)	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	2 139 988	450 406	1 689 582	Partly replacement of fleet and electronic equipment
Consumer deposits	187 555	175 556	11 999	
Trade and other payables	21 398 694	29 485 587	(8 086 893)	Amount of R 9 119 000 withheld from Equitable share for unspent grants and write off of certain unspent grants
Provisions and Employee Benefits	4 148 671	-	4 148 671	Not included in the A schedules
Total current liabilities	27 874 909	30 111 549	(2 236 640)	
Non current liabilities				
Borrowing	6 332 560	3 627 158	2 705 402	Partly replacement of fleet and electronic equipment
Provisions and Employee Benefits	16 920 366	16 455 211	465 155	
Total non current liabilities	23 252 926	20 082 369	3 170 557	
TOTAL LIABILITIES	51 127 835	50 193 918	933 917	
NET ASSETS	57 460 394	290 352 695	(232 892 301)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	286 025 776	295 175 283	(9 149 507)	
Reserves	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	286 025 776	295 175 283	(9 149 507)	

SIYANCUMA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	2 502 532	-	2 502 532	
Call investment deposits	21 509 240	-	21 509 240	
Consumer debtors	3 000 892	-	3 000 892	
Other Receivables	5 088 707	-	5 088 707	
Current portion of long-term receivables	-	-	-	
Inventory	207 092	-	207 092	
Total current assets	32 308 463	-	32 308 463	
Non current assets				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	9 982 000	-	9 982 000	
Property, plant and equipment	296 716 796	-	296 716 796	
Biological Assets	1 059 200	-	1 059 200	
Intangible Assets	480 154	-	480 154	
Heritage Assets	-	-	-	
Total non current assets	308 238 150	-	308 238 150	
TOTAL ASSETS	340 546 613	-	340 546 613	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	450 406	-	450 406	
Consumer deposits	175 556	-	175 556	
Trade and other payables	29 485 587	-	29 485 587	
Provisions and Employee Benefits	-	-	-	
Total current liabilities	30 111 549	-	30 111 549	
Non current liabilities				
Borrowing	3 627 158	-	3 627 158	
Provisions and Employee Benefits	16 455 211	-	16 455 211	
Total non current liabilities	20 082 369	-	20 082 369	
TOTAL LIABILITIES	50 193 918	-	50 193 918	
NET ASSETS	290 352 695	-	290 352 695	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	295 175 283	-	295 175 283	
Reserves	-	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	295 175 283	-	295 175 283	

SIYANCUMA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	6 938 466	8 017 795	(1 079 329)	Budgeted income not realised due to economic decline
Property rates - penalties & collection charges	-	-	-	
Service charges	39 400 504	48 744 913	(9 344 409)	Budgeted income not realised due to economic decline
Rental of facilities and equipment	415 943	387 005	28 938	
Interest earned - external investments	874 602	260 000	614 602	Slow spending on grants resulted in grant funds being invested
Interest earned - outstanding debtors	561 324	557 237	4 087	
Dividends received	-	-	-	
Fines	48 085	996 800	(948 715)	Traffic service not fully operational
Licences and permits	13 327	-	13 327	Not included in A schedules
Agency services	754 909	-	754 909	Not included in A schedules
Government Grants and Subsidies - Operating	38 250 268	37 981 000	269 268	
Other revenue	978 418	611 095	367 323	Change in Fair value of biological assets and fair value of donation not budgeted for
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	88 235 846	97 555 845	(9 319 999)	
EXPENDITURE BY TYPE				
Employee related costs	35 871 254	38 308 859	(2 437 605)	Vacancies not filled eg. Corporate Manager
Remuneration of councillors	3 065 848	3 234 889	(169 041)	
Debt impairment	11 158 154	8 000 000	3 158 154	Ineffective debt collection
Depreciation & asset impairment	11 243 828	9 296 117	1 947 711	Increase in electronic equipment and other assets
Finance charges	2 379 604	489 093	1 890 511	Increase in provision of landfill sites and interest on finance leases not budgeted for
Bulk purchases	23 306 142	27 950 000	(4 643 858)	Development provided for in budget not realised
Other materials	-	-	-	
Contracted services	-	3 645 409	(3 645 409)	Incorrect classification in budget, budgeted for in general expense
Grants and subsidies paid	-	7 236 903	(7 236 903)	Grants and subsidies budgeted for in general expenses
Other expenditure	20 140 957	31 401 536	(11 260 579)	Due to cash flow constraints, general expenses were limited
Loss on disposal of PPE	90 298	-	90 298	Not budgeted for
Total Operating Expenditure	107 256 085	129 562 806	(22 306 721)	
Operating Deficit for the year	(19 020 239)	(32 006 961)	12 986 722	
Government Grants and Subsidies - Capital	27 022 396	34 137 000	(7 114 604)	Budgeted for rollover which didn't realise
Net Surplus for the year	8 002 157	2 130 039	5 872 118	

SIYANCUMA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	7 555 788	462 007	8 017 795	Incorrect forecasting on final budget
Property rates - penalties & collection charges	-	-	-	
Service charges	43 188 160	5 556 753	48 744 913	Incorrect forecasting on final budget
Rental of facilities and equipment	338 590	48 415	387 005	Incorrect forecasting on final budget
Interest earned - external investments	260 000	-	260 000	
Interest earned - outstanding debtors	370 000	187 237	557 237	Debtors increased due to economic climate
Dividends received	-	-	-	
Fines	4 600 400	(3 603 600)	996 800	Traffic department was not operational as expected
Licences and permits	240 976	(240 976)	-	Budgeted for under fines
Agency services	-	-	-	
Government Grants and Subsidies - Operating	37 981 000	-	37 981 000	
Other revenue	437 920	173 175	611 095	Actual revenue as at mid year was more than anticipated
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	<u>94 972 834</u>	<u>2 583 011</u>	<u>97 555 845</u>	
EXPENDITURE BY TYPE				
Employee related costs	35 055 658	3 253 201	38 308 859	Budgeted for vacant positions and provided for back pay i.t.o the post evaluation outcomes
Remuneration of councillors	2 615 436	619 453	3 234 889	Adjustment due to the Government notice issued in December
Debt impairment	8 000 000	-	8 000 000	
Depreciation & asset impairment	9 745 198	(449 081)	9 296 117	Due to review of finance lease contracts
Finance charges	450 406	38 687	489 093	
Bulk purchases	24 874 581	3 075 419	27 950 000	Expected expansion on development
Other materials	-	-	-	
Contracted services	3 106 659	538 750	3 645 409	Provided for additional services based on mid year expenditure report
Grants and subsidies paid	7 296 903	(60 000)	7 236 903	
Other expenditure	27 472 621	3 928 915	31 401 536	Provided for additional services based on mid year expenditure report
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	<u>118 617 462</u>	<u>10 945 344</u>	<u>129 562 806</u>	
Operating Deficit for the year	<u>(23 644 628)</u>	<u>(8 362 333)</u>	<u>(32 006 961)</u>	
Government Grants and Subsidies - Capital	26 737 000	7 400 000	34 137 000	Roll over of MIG funds approved and included in adjustment budget
Net Surplus/(Deficit) for the year	<u><u>3 092 372</u></u>	<u><u>(962 333)</u></u>	<u><u>2 130 039</u></u>	

SIYANCUMA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	16 894 431	66 212 160	(49 317 729)	Low collection rate
Government - operating	38 250 268	37 981 000	269 268	
Government - capital	27 022 396	34 137 000	(7 114 604)	Roll over approved
Interest	1 435 926	789 680	646 246	Slow spending on capital grants results in funds being invested in call deposit account
Dividends	-	-	-	
Payments				
Suppliers and Employees	(71 156 153)	(103 820 771)	32 664 618	Low cash flow, limited expenditure
Finance charges	(2 379 604)	(450 000)	(1 929 604)	Due to expense of finance leases
Transfers and Grants	-	(7 357 097)	7 357 097	Budgeted for under general expenditure
NET CASH FROM/(USED) OPERATING ACTIVITIES	10 067 265	27 491 972	(17 424 707)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	1 750 640	-	1 750 640	Disposal of assets was not foreseen
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(27 243 984)	(35 947 000)	8 703 016	More spending due to approved roll over
NET CASH FROM/(USED) INVESTING ACTIVITIES	-25 493 344	(35 947 000)	10 453 656	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	1 637 581	-	1 637 581	Expense on borrowing was not foreseen when budget was compiled
Increase/(decrease) in consumer deposits	12 173	-	12 173	Enforcement of debt collection policy resulted in an increase of consumer deposits
Payments				
Repayment of borrowing	(3 296 546)	(640 000)	(2 656 546)	Loans redeemed during the year not adjusted in budget
NET CASH FROM/(USED) FINANCING ACTIVITIES	-1 646 792	(640 000)	-1 006 792	
NET INCREASE/(DECREASE) IN CASH HELD	-17 072 871	(9 095 028)	-7 977 843	
Cash and Cash Equivalents at the beginning of the year	23 858 057	21 369 696	2 488 361	Under budgeted
Cash and Cash Equivalents at the end of the year	(6 785 223)	12 274 668	(19 059 891)	Budgeted revenue not realised

SIYANCUMA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	56 362 000	9 850 160	66 212 160	Proport rates and service charges adjusted due to mid year actuals
Government - operating	37 981 000	-	37 981 000	
Government - capital	26 737 000	7 400 000	34 137 000	Budget increased due to approval of MIG roll over
Interest	630 000	159 680	789 680	Low spending on unspent grants resulted in funds being invested in a call deposit account
Dividends	-	-	-	
Payments				
Suppliers and Employees	(85 960 000)	(17 860 771)	(103 820 771)	Increase in employee related cost, consultancy fees and general expenditure
Finance charges	(450 000)	-	(450 000)	
Transfers and Grants	(7 297 000)	(60 097)	(7 357 097)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	28 003 000	-511 028	27 491 972	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(27 329 000)	(8 618 000)	(35 947 000)	Budget increased due to approval of MIG roll over
NET CASH FROM/(USED) INVESTING ACTIVITIES	(27 329 000)	(8 618 000)	(35 947 000)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(640 000)	-	(640 000)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-640 000	-	(640 000)	
NET INCREASE/(DECREASE) IN CASH HELD	34 000	(9 129 028)	(9 095 028)	
Cash and Cash Equivalents at the beginning of the year	21 369 696	-	21 369 696	
Cash and Cash Equivalents at the end of the year	21 403 696	(9 129 028)	12 274 668	Made provision for a decrease in cash at the end of the year due to decrease in debt collection

INSERT ACCOUNTING POLICY

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2

LONG TERM LIABILITIES

Annuity Loans - At amortised cost
Capitalised Lease Liability - At amortised cost
Balance as previously reported
Correction of Error

	2013 R	2012 R
	3 272 113	2 391 293
	5 200 435	3 006 899
0.00	-	3 006 899
	-	-

Less: Current Portion transferred to Current Liabilities

Annuity Loans - At amortised cost
Capitalised Lease Liability - At amortised cost

	8 472 548	5 398 192
	2 139 988	1 320 628
	804 621	543 590
	1 335 367	777 038

Total Long-term Liabilities - At amortised cost using the effective interest rate method

	6 332 560	4 077 564
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The obligations under annuity loans are scheduled below

Amounts payable under annuity loans:

Payable within one year
Payable within two to five years
Payable after five years

	2013 R	2012 R
		Minimum annuity payments
	1 112 506	782 925
	2 842 949	2 203 351
	-	-
	3 955 456	2 986 276
	(683 352)	(595 016)
	3 272 103	2 391 260

Less: Future finance obligations

Present value of annuity obligations:

Annuity loans at amortised cost is calculated at 10.05%-16.05% interest rate, with maturity date of 1 December 2017. The loans are unsecured

The obligations under finance leases are scheduled below

Amounts payable under finance leases:

Payable within one year
Payable within two to five years
Payable after five years

	2013 R	2012 R
		Minimum lease payments
	1 740 633	1 053 108
	4 408 649	2 533 006
	-	-
	6 149 282	3 586 114
	(948 843)	(579 214)
	5 200 439	3 006 900

Less: Future finance obligations

Present value of lease obligations

Finance lease agreement is calculated at an interest rate of 9%-11%. With a last maturity date of 01 May 2018.

Refer to note 10 for the finance lease assets capitalised

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

For each class of finance lease liability, the net carrying amount at the reporting date:

Description of leased item	Effective Interest	Lease Term	Maturity Date		
Nashua - GK500568-500586	11.0%	5	2015/10/30	622 581	2 001 606
PABX - MP 2000 and DTPC 430	9.0%	5	2016/07/30	91 785	116 503
CCTV camera P10400003	9.0%	3	2015/03/31	70 635	106 292
MP 201 SPF	9.0%	5	2016/11/30	-	47 219
PABX - PA 188918	9.0%	5	2017/01/31	133 658	163 910
Various A	9.0%	5	2015/12/31	14 982	119 770
Various B	9.0%	5	2015/10/31	28 694	451 599
Various (R15200)	8.5%	5	2017/11/30	763 461	-
Various (R46000)	8.5%	5	2018/02/28	2 417 181	-
Clocking System	8.5%	5	2017/10/30	205 190	-
CCTV System	8.5%	5	2018/05/01	123 813	-
Various (R27000)	8.5%	3	2015/08/31	728 455	-
				5 200 435	3 006 899

The depreciation and the finance charge relating to the leased asset was included as part of the total depreciation and finance charges respectively. Please refer to note 10 and note 28

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
3	EMPLOYEE BENEFITS		
	Post Retirement Benefits	3.1 9 888 942	8 608 821
	Long Service Awards	3.2 1 550 658	1 321 758
	Total Non-current Employee Benefit Liabilities	11 439 600	9 930 579
	<u>Post Retirement Benefits</u>		
	Balance 1 July	8 892 129	8 537 853
	Contribution for the year	(340 013)	(328 464)
	Expenditure for the year	1 058 452	1 041 088
	Actuarial Loss/(Gain)	656 362	(358 348)
	Total post retirement benefits 30 June	10 266 930	8 892 129
	Less: Transfer of Current Portion	6 (377 988)	(283 308)
	Balance 30 June	9 888 942	8 608 821
	<u>Long Service Awards</u>		
	Balance 1 July	1 421 424	1 134 463
	Contribution for the year	(93 705)	(151 905)
	Expenditure for the year	227 015	207 661
	Actuarial Loss	243 304	231 205
	Total long service 30 June	1 798 038	1 421 424
	Less: Transfer of Current Portion	6 (247 380)	(99 666)
	Balance 30 June	1 550 658	1 321 758
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	10 313 553	9 672 316
	Contribution for the year	(433 718)	(480 369)
	Expenditure for the year	1 285 467	1 248 749
	Actuarial Loss/(Gain)	899 666	(127 143)
	Total employee benefits 30 June	12 064 968	10 313 553
	Less: Transfer of Current Portion	6 (625 368)	(382 974)
	Balance 30 June	11 439 600	9 930 579
3.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
		2013 Number of members	2012 Number of members
	In-service (employee) members	39	45
	Continuation members (e.g. Retirees, widows, orphans)	12	11
	Total Members	51	56
		R	R
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	5 074 954	4 395 388
	Continuation members	5 191 976	4 496 741
	Total Liability	10 266 930	8 892 129
		2011 R	2010 R
	In-service members	4 807 030	2 612 239
	Continuation members	3 730 823	2 966 322
	Total Liability	8 537 853	5 578 561
		2009 R	2008 R
	In-service members	3 403 537	2 612 239
	Continuation members	1 939 826	2 966 322
	Total Liability	5 343 363	5 578 561

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3	EMPLOYEE BENEFITS (CONTINUE)	2013 R	2012 R
	Experience adjustments were calculated as follows:	Rm	Rm
	Liabilities: (Gain) / loss	0.822	(1.008)
	Assets: Gain / (loss)	-	-
	The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2011 Rm	2010 Rm
	Liabilities: (Gain) / loss	1.655	-
	Assets: Gain / (loss)	-	-
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Bonitas LA Health	Keyhealth Hosmed	Samwumed
	The Municipality's Accrued Unfunded Liability at 30 June 2013 is estimated at R10.267 million. The Current-service Cost for the year ending 30 June 2013 is estimated at R283 308. It is estimated to be R377 988 for the ensuing year.		
	Key actuarial assumptions used:	2013 %	2012 %
	i) Rate of interest		
	Discount rate	8.56%	7.78%
	Health Care Cost Inflation Rate	7.60%	6.97%
	Net Effective Discount Rate	0.89%	0.76%
	ii) Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	iii) Normal retirement age		
	It has been assumed that in-service members will retire at ages 65 (male) and 60 (female), which then implicitly allows for expected rates of early and ill-health retirement.		
		2013 R	2012 R
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	10 266 930	8 892 129
	Net liability/(asset)	10 266 930	8 892 129
	The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).		

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3 EMPLOYEE BENEFITS (CONTINUE)

Reconciliation of present value of fund obligation

Present value of fund obligation at the beginning of the year
Total expenses

2013 R	2012 R
8 892 129	8 537 853
718 439	712 624

Current service cost
Interest Cost
Benefits Paid

377 321	320 709
681 131	720 379
(340 013)	(328 464)

Actuarial (gains)/losses

656 362	(358 348)
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Present value of fund obligation at the end of the year

10 266 930	8 892 129
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Less: Transfer of Current Portion

6 (377 988)	(283 308)
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Balance 30 June

9 888 942	8 608 821
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Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		5.075	5.192	10.267	
Health care inflation	1%	6.214	5.738	11.952	16%
Health care inflation	-1%	4.180	4.719	8.898	-13%
Post-retirement mortality	-1 year	5.257	5.400	10.657	4%
Average retirement age	-1 year	5.491	5.192	10.683	4%
Withdrawal Rate	-50%	5.561	5.192	10.753	5%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		377 300	681 100	1 058 400	
Health care inflation	1%	463 600	801 100	1 264 700	19%
Health care inflation	-1%	310 200	584 600	894 800	-15%
Post-retirement mortality	-1 year	390 800	707 500	1 098 300	4%
Average retirement age	-1 year	371 200	714 200	1 085 400	3%
Withdrawal Rate	-50%	422 100	720 700	1 142 800	8%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 163 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2013 is R138,445. The Current-service Cost for the ensuing year has been estimated to be R 130,320.

Key actuarial assumptions used:

i) Rate of interest

Discount rate
General Salary Inflation (long-term)
Net Effective Discount Rate applied to salary-related Long Service Bonuses

2013 %	2012 %
7.22%	6.45%
6.71%	5.96%
0.48%	0.47%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss
Assets: Gain / (loss)

2013 R	2012 R
256 695	104 190
-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R	2009 R
Liabilities: (Gain) / loss	(82 311)	-	-
Assets: Gain / (loss)	-	-	-

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3	EMPLOYEE BENEFITS (CONTINUE)	2013 R	2012 R
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	1 798 038	1 421 424
	Net liability/(asset)	1 798 038	1 421 424
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	2011 R	2010 R	2009 R
	Total Liability	1 134 463	978 382
		2013 R	2012 R
	Reconciliation of present value of fund obligation		
	Present value of fund obligation at the beginning of the year	1 421 424	1 134 463
	Total expenses	133 310	55 756
	Current service cost	138 445	124 277
	Interest Cost	88 570	83 384
	Benefits Paid	(93 705)	(151 905)
	Actuarial (gains)/losses	243 304	231 205
	Present value of fund obligation at the end of the year	1 798 038	1 421 424
	Less: Transfer of Current Portion	6 (247 380)	(99 666)
	Balance as at 30 June	1 550 658	1 321 758

3	EMPLOYEE BENEFITS (CONTINUE)		2013	2012
			R	R
	Sensitivity Analysis on the Unfunded Accrued Liability			
	Assumption	Change	Liability (Rm)	% change
	Central assumptions		1.798	
	General salary inflation	1%	1.920	7%
	General salary inflation	-1%	1.688	-6%
	Average retirement age	-2 yrs.	1.604	-11%
	Average retirement age	2 yrs	2.012	12%
	Withdrawal rates	-50%	2.065	15%
		2013	2012	
		R	R	

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.9% (30 June 2011 - 100.3%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% or 26.6% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.40% (30 June 2011 - 98.10%). Whilst this has decreased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4	NON-CURRENT PROVISIONS	2013 R	2012 R
	Provision for Rehabilitation of Landfill-sites	5 480 766	4 947 449
	Total Non-current Provisions	5 480 766	4 947 449

Landfill Sites

Balance 1 July	4 947 449	4 711 856
Contribution for the year	533 317	235 593
Total provision 30 June	5 480 766	4 947 449
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	5 480 766	4 947 449

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Douglas</u>	<u>Griekwastad</u>	<u>Cambell</u>
Earthworks - Shape Landfill (m²)	6 500	24 500	14235
Topsoil (m²)	6 500	24 500	14235
Stormwater Cut off drain (m)	885	290	110

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation</u>
		2012 R
Douglas	2045	5 105 749
Griekwastad	2024	3 445 645
Cambell	2023	2 182 723
		<u>10 734 117</u>

5	CONSUMER DEPOSITS	2013 R	2012 R
	Water & Electricity	187 555	175 382
	Balance previously reported		175 556
	Correction of consumer deposits against other income	33.10	-174
	Total Consumer Deposits	187 555	175 382

The fair value of consumer deposits approximate their carrying value. No discounting of consumer deposits is being performed due to the uncertainty of the timing of future repayments. Interest is not paid on these amounts.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6	CURRENT EMPLOYEE BENEFITS	2013 R	2012 R
	Current Portion of Post Retirement Benefits	3 377 988	283 308
	Current Portion of Long-Service Awards	3 247 380	99 666
	Bonuses	774 464	583 060
	Staff Leave	2 748 839	1 857 000
	Total Current Employee Benefits	4 148 671	2 823 034

The movement in current employee benefits are reconciled as follows:

Bonuses

Balance at beginning of year	583 060	518 146
Contribution to current portion	195 749	96 445
Expenditure incurred	-4 345	-31 531
Balance at end of year	774 464	583 060

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle, that will only be paid out in the following year, November. There is no possibility of reimbursement.

Staff Leave

Balance at beginning of year	1 857 000	887 858
Contribution to current portion	1 203 976	1 050 812
Expenditure incurred	-312 137	-81 670
Balance at end of year	2 748 839	1 857 000

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

7	PAYABLES FROM EXCHANGE TRANSACTIONS	2013 R	2012 R
	Trade Payables	10 866 245	4 274 746
	Balance previously reported		4 153 369
	Correction of payables from exchange transactions and VAT against statement of financial performance	33.06 33.10	115 484
	Correction of payables from exchange transactions and VAT against intangible assets	33.06 33.05	4 867
	Correction of payables from exchange transactions against statement of financial	33.10	1 026
	Receivables with credit balances	334 249	383 383
	Balance previously reported		5 466
	Correction of payables from exchange transactions (salary control) against trade and other receivables from exchange transactions incorrectly disclosed in 2012	16	-5 466
	Sundry Payables	79 215	20 682
	Balance previously reported		-
	Correction of cash suspense and salary control account against statement of financial performance	33.01 33.10	20 682
	Total Trade Payables	11 279 709	4 678 812

No payables are secured.

Payables are being recognised net of any discounts

Payables are not all being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2013 R	2012 R
	Unspent Grants	10 118 985	22 449 946
	National and Provincial Government Grants	10 118 985	22 449 946
	Balance previously reported		18 877 098
	Correction of unspent conditional government grants and receipts against accumulated surplus		3 572 848
	Other Sources	-	-
	Less: Unpaid Grants	-	-
	National and Provincial Government Grants	-	-
	Other Sources	-	-
	Total Conditional Grants and Receipts	10 118 985	22 449 946

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. A portion of equitable share were withheld, due to a rollover for MIG and Department of Minerals & Energy not approved..

Library Project

Provincial Department - Library maintenance and Expenses

Financial Management Grant

National Treasury - Financial Management

Municipal Systems Improvement Grant

National Treasury - Municipal System Improvement

Municipal Infrastructure Grant

National Treasury - Municipal Infrastructure Improvement

LG Seta

National Treasury - Personnel Training

Expanded Public Works Programme

Provincial Department - Road Maintenance

Department of Minerals & Energy

Provincial Department - Infrastructure development

9	VAT PAYABLE FROM EXCHANGE-TRANSACTIONS	2013 R	2012 R
	VAT Payable	8 991 147	2 782 537
	Balance previously reported		2 786 049
	Correction of payables from exchange transactions and VAT against statement of financial performance	33.02 33.10	(2 915)
	Correction of payables from exchange transactions and VAT against intangible assets	33.06 33.02	(598)
	VAT Receivable	(10 625 371)	-
	VAT Impairment contribution	(6 016 326)	(4 600 610)
		(7 650 550)	(1 818 073)

VAT is payable/receivable on the cash basis.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
10	PROPERTY, PLANT AND EQUIPMENT		
	<u>See attached sheet</u>		

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11	INVESTMENT PROPERTY	2013 R	2012 R
	Net Carrying amount as at 1 July	9 982 000	9 982 000
	Cost	9 982 000	9 982 000
	Accumulated Depreciation	-	-
	Net Carrying amount as at 30 June	9 982 000	9 982 000
	Cost	9 982 000	9 982 000
	Accumulated Depreciation	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Operating income received on properties generating revenue	232 371	208 714
Operating expenditure incurred on properties generating revenue	-	-
Estimated Fair Value of Investment Property at 30 June	9 982 000	9 982 000

Fair value was determined by valuation roll of 1 July 2011.

12	INTANGIBLE ASSETS	2013 R	2012 R
	Computer System & Software		
	Net Carrying amount at 1 July	484 423	527 334
	Cost	703 340	677 640
	Balance previously reported		673 371
	Correction of payables from exchange transactions and VAT against intangible assets	33.06	33.02
	Accumulated Amortisation	(218 917)	(150 306)
	Acquisitions	47 149	25 700
	Amortisation	(73 299)	(68 611)
	Net Carrying amount at 30 June	458 273	484 423
	Cost	750 489	703 340
	Accumulated Amortisation	(292 216)	(218 917)

<u>Description</u>	<u>Remaining Amortisation</u> <u>Period</u>	2013 R	2012 R
SEBATA - Accounting System	5	245 049	294 086
Microsoft Office	5 - 8	63 675	38 279
Cemetery Module	8	28 920	32 694
Implementation of Sebata	7 - 9	28 072	15 241
MPLS	8	90 215	101 496
Business Plan Pro Premier	8	2 343	2 628

No intangible asset were assed having an indefinite useful life.

No residual values allocated to intangible assets, as there is no active market for these software items after use, due to new versions being issued regularly.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13 BIOLOGICAL ASSETS

	Quantity (Units)	Fair Value R	2013 R	2012 R
Springbuck	853	1 700	1 450 100	888 000
Blesbuck	117	1 400	163 800	171 200
			<u>1 613 900</u>	<u>1 059 200</u>

Fair value of biological assets is based on selling prices less costs to sell in an open active market. Quotation was obtained from GWK to determine fair value of game as at year end 30 June 2013

Reconciliation of fair value:

Opening Fair Value	1 059 200	467 700
Fair Value adjustments	554 700	591 500
Closing Fair Value	<u>1 613 900</u>	<u>1 059 200</u>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are located on a farm near Griekwastad. The primary activities revolving around biological assets are as follows:

- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the hunting of game, resulting in an inflow of resources to the municipality.

14 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July

	677 178	740 369
Cost	1 290 509	1 290 509
Accumulated Depreciation	(574 727)	(550 140)
Accumulated Impairments	(38 604)	(16 113)
Depreciation for the year	(47 178)	(24 587)
Impairment	81 398	(22 491)

Net Carrying amount at 30 June

	711 399	677 178
Cost	1 290 509	1 290 509
Accumulated Depreciation	(621 905)	(574 727)
Accumulated Impairments	42 794	(38 604)

15 INVENTORY

	2013 R	2012 R
Maintenance Materials - at Current Replacement Cost	420 467	206 162
Water – at Current Replacement Cost	1 563	930
Total Inventory	<u>422 030</u>	<u>207 092</u>

No inventory assets were pledged as security for liabilities.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
16	TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Service Receivables		
	Water	28 800 374	22 859 289
	Electricity	4 542 408	3 949 041
	Refuse	9 219 214	7 354 894
	Sewerage	12 621 538	10 383 286
	Total Service Receivables	55 183 534	44 546 510
	Less: Allowance for Doubtful Debts	-46 906 004	-35 637 208
	Net Service Receivables	8 277 530	8 909 302
	Other Receivables		
	Other Debtors	1 864 491	813 800
	Balance previously reported		565 800
	Correction of cash suspense and salary control account against statement of financial performance	33.02 33.10	-281 813
	Correction of cash and cash equivalents against trade and other receivables from exchange transactions incorrectly disclosed in 2012	20	241 585
	Correction of payables from exchange transactions (salary control) against trade and other receivables from exchange transactions incorrectly disclosed in 2012	7	-5 466
	Correction of cash suspense and salary control account against statement of financial performance	33.01 33.10	293 695
	Other Arrears	2 427 878	2 281 125
	Attorneys Balances	770 273	775 002
	Rent Bongani	388 324	389 242
	Sundry Accounts	1 262 368	1 111 548
	Other	6 912	5 333
	Total Other Receivables	4 292 369	3 094 925
	Less: Allowance for Doubtful Debts	-2 084 078	-1 824 900
	Net Other Receivables	2 208 291	1 270 025
	Total Net Receivables from Exchange Transactions	10 485 821	10 179 327
	Ageing of Receivables from Exchange Transactions:		
	(Electricity): Ageing		
	Current (0 - 30 days)	546 561	536 093
	31 - 60 Days	170 793	221 745
	61 - 90 Days	167 167	149 034
	+ 90 Days	3 657 887	3 042 169
	Total	4 542 408	3 949 041
	(Water): Ageing		
	Current (0 - 30 days)	501 245	503 318
	31 - 60 Days	660 711	437 282
	61 - 90 Days	557 124	504 342
	+ 90 Days	27 081 293	21 414 347
	Total	28 800 374	22 859 289
	(Refuse): Ageing		
	Current (0 - 30 days)	175 479	180 755
	31 - 60 Days	167 737	155 814
	61 - 90 Days	166 170	154 210
	+ 90 Days	8 709 828	6 864 115
	Total	9 219 214	7 354 894
	(Sewerage): Ageing		
	Current (0 - 30 days)	222 535	221 948
	31 - 60 Days	206 126	194 053
	61 - 90 Days	205 055	190 203
	+ 90 Days	11 987 823	9 777 082
	Total	12 621 538	10 383 286
	(Other Receivables): Ageing		
	Current (0 - 30 days)	38 325	24 234
	31 - 60 Days	16 566	21 427
	61 - 90 Days	17 050	14 345
	+ 90 Days	2 355 937	2 221 119
	Total	2 427 878	2 281 125

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

17	TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2013 R	2012 R
	Service Receivables		
	Taxes - Rates	6 235 504	5 347 826
	Total Service Receivables	6 235 504	5 347 826
	Less: Allowance for Doubtful Debts	-5 300 178	-4 278 261
	Net Service Receivables	935 326	1 069 565
	Total Net Receivables from Non-Exchange Transactions	935 326	1 069 565
	Ageing of Receivables from Non-Exchange Transactions:		
	<u>(Rates): Ageing</u>		
	Current (0 - 30 days)	208 924	226 639
	31 - 60 Days	78 146	72 915
	61 - 90 Days	77 216	75 389
	+ 90 Days	5 871 218	4 972 883
	Total	6 235 504	5 347 826

18	TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS				
	<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
	2013				
	Total Receivables	64 889 135	-	822 272	65 711 407
	Less: Provision for doubtful debts	-54 290 260	-	-	-54 290 260
	Total Recoverable debtors by customer classification	10 598 875	-	822 272	11 421 147
	<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
	2012				
	Total Receivables	52 564 055	-	425 206	52 989 261
	Less: Provision for doubtful debts	-41 740 369	-	-	-41 740 369
	Total Recoverable debtors by customer classification	10 823 686	-	425 206	11 248 892
	<u>Trade and other receivables impairment</u>				
	2013		Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
	Total		-48 990 082	-5 300 178	-54 290 260
	2012		Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
	Total		-37 462 108	-4 278 261	-41 740 369

Debts (Rates) are required to be settled after 30 days, interest is charged after this date at prime +1%
The fair value of trade and other receivables approximates their carrying amounts

<u>Reconciliation of the Total doubtful debt provision</u>	2013 R	2012 R
Balance at beginning of the year	41 740 370	32 880 514
Contributions to provision	11 158 154	8 124 449
VAT Impairment	1 415 716	735 407
Doubtful debts written off against provision	-23 978	-
Balance at end of year	54 290 261	41 740 370

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		R	R
19 OPERATING LEASE ARRANGEMENTS			
19.1 The Municipality as Lessor			
Balance on 1 July		111 244	72 304
Balance previously reported			79 669
Correction of operating lease against accumulated surplus	33.09		-5 706
Correction of operating lease against statement of financial performance	33.10		-1 659
Restated Balance on 1 July		<u>111 244</u>	<u>72 304</u>
Movement during the year		<u>26 760</u>	<u>38 940</u>
Balance on 30 June		<u><u>138 004</u></u>	<u><u>111 244</u></u>

Siyancuma Municipality is leasing commonage land to MTN for periods of 119 months with escalations of 10% per year.

Siyancuma Municipality is leasing commonage land to Vodacom for periods of 59 months with escalations of 10% per year.

Siyancuma Municipality is leasing commonage land to various lessees with escalations of 12% per year till 30 June 2020.

Siyancuma Municipality is leasing commonage land to Vodacom for periods of 60 months with escalations of average CPIX of 3.7% per year.

	2013	2012
	R	R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	167 846	126 864
1 to 5 Years	671 481	600 388
More than 5 Years	283 411	402 773
Total Operating Lease Arrangements	<u><u>1 122 739</u></u>	<u><u>1 130 025</u></u>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land being leased out for a period until June 2020

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20		2013 R	2012 R
	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Investments Deposits	5 500 441	21 509 241
	Balance previously reported		-
	Correction of error	33.08	-
	Primary Bank Account	1 284 082	2 348 116
	Balance previously reported		2 501 832
	Correction of cash and cash equivalents against trade and other receivables from	16	-241 585
	Correction of salary control account and statement of financial performance against		
	cash and cash equivalents	33.01 33.10	81 329
	Correction of cash and cash equivalents against statement of financial performance	33.10	6 540
	Cash Floats	700	700
	Total Cash and Cash Equivalents - Assets	6 785 223	23 858 057
	The municipality has the following bank accounts:		
	Current Accounts		
	Douglas - Std Bank Account number: 041667336000 (Primary Bank Account):	996 279	2 630 281
	Douglas - FNB Account Number: 52090016612 (Second Primary Bank Account)	287 803	1 129 966
		1 284 082	3 760 247
	Douglas - Std Bank Account number: 041667336000 (Primary Bank Account):		
	Cash book balance at beginning of year	2 630 281	-337 138
	Cash book balance at end of year	996 279	2 630 281
	Bank statement balance at beginning of year	1 507 682	227 660
	Bank statement balance at end of year	2 619 756	1 507 682
	Douglas - FNB Account Number: 52090016612 (Second Primary Bank Account)		
	Cash book balance at beginning of year	1 129 966	11 865 787
	Cash book balance at end of year	287 803	1 129 966
	Bank statement balance at beginning of year	1 129 966	11 865 787
	Bank statement balance at end of year	287 803	1 129 966
	Call Investment Deposits		
	Call investment deposits consist out of the following accounts:		
	Bank Account Number		
	Standard Bank 54792271	32 425	30 825
	Standard Bank 54994621	901	1 591 395
	Standard Bank 048863572	-	15 231 970
	Standard Bank 048857440	119 908	117 159
	Standard Bank 048857424	173 238	135 297
	Standard Bank 048857432	52 210	51 248
	Standard Bank 048857513	-	77 082
	Standard Bank 048857521	-	1 221 731
	Standard Bank 048857491	-	2 871 152
	Standard Bank 048857939	-	146 892
	Standard Bank 048858625	5 121 759	-
	Nedbank 9577841997	-	34 490
		5 500 441	21 509 240

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
21	PROPERTY RATES		
	<u>Actual</u>		
	Rateable Land and Buildings	15 901 754	12 363 870
	Residential, Commercial Property, State	15 901 754	12 363 870
	<u>Less: Rebates</u>	-8 963 288	-6 596 198
	Total Assessment Rates	6 938 466	5 767 672
	<u>Valuations - 1 July 2012</u>		
	Rateable Land and Buildings	5 443 734 369	3 897 294 680
	Residential	393 763 901	478 951 900
	Business	103 972 700	50 957 800
	Governments	41 848 000	16 380 000
	The Erven	-	65 690 500
	Agriculture	4 826 070 668	3 257 680 280
	Exempt Municipal and other	78 079 100	27 634 200
	<u>Less: Income Forgone</u>		
	Total Assessment Rates	5 443 734 369	3 897 294 680

Valuations on land and buildings must be performed every four years. The last valuation came into effect on 1 July 2011.

Rates are levied monthly and annually and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates

		2013 R	2012 R
22	GOVERNMENT GRANTS AND SUBSIDIES		
	Unconditional Grants	35 680 000	31 614 000
	Equitable Share	35 680 000	31 614 000
	Conditional Grants	29 592 664	9 511 669
	Library Project	445 525	288 765
	Brickmaking Project	-	820
	Local Government Financial Management Grant	1 500 000	1 450 000
	Municipal System Improvement Grant	800 000	790 000
	Municipal Infrastructure Grant	25 850 807	4 528 506
	Learnership De Aar	-	86 379
	EPWP	454 998	-
	Department of Minerals & Energy	541 334	2 367 199
	Total Government Grants and Subsidies	65 272 664	41 125 669
	Government Grants and Subsidies - Capital	27 022 396	7 121 879
	Government Grants and Subsidies - Operating	38 250 268	34 003 899
		65 272 664	41 125 778
	Grant spending per vote:		
	Executive & Council	-	9 511 778
	Budget & Treasury	37 980 000	31 614 000
	Community & Social Services	445 525	-
	Road Transport	454 998	-
	Electricity	541 334	-
	Water	25 850 807	-
		65 272 664	41 125 778

Conditions were complied with during the year.

22.1	Equitable share		
	Opening balance	-	-
	Grants received	31 121 000	31 614 000
	Transfer from MIG due to roll over not approved on MIG	4 559 000	-
	Conditions met - Operating	(35 680 000)	(31 614 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2013	2012
		R	R
22.2	Local Government Financial Management Grant (FMG)		
	Opening balance	-	-
	Grants received	1 500 000	1 450 000
	Conditions met - Operating	(1 424 370)	(1 416 775)
	Conditions met - Capital	(75 630)	(33 225)
	Conditions still to be met	-	-
		<u> </u>	<u> </u>
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
22.3	Municipal Systems Improvement Grant		
	Opening balance	-	(51 816)
	Grants received	800 000	790 000
	Transfers	-	51 816
	Conditions met - Operating	(402 954)	(790 000)
	Conditions met - Capital	(397 046)	-
	Conditions still to be met	-	-
		<u> </u>	<u> </u>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
22.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	20 813 896	8 432 402
	Grants received	20 513 000	16 910 000
	Transfer to Equitable Share due to roll over not approved on MIG	(8 432 402)	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(25 850 807)	(4 528 506)
	Grant expenditure to be recovered	<u>7 043 688</u>	<u>20 813 896</u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
22.5	Expanded Public Works Program		
	Opening balance	(802 625)	(802 625)
	Grants received	2 500 002	-
	Conditions met - Operating	(424 362)	-
	Conditions met - Capital	(30 636)	-
	Grant expenditure to be recovered	<u>1 242 379</u>	<u>(802 625)</u>
	The grant was used for infrastructure development in the Siyancuma area		
22.5	Library Grants		
	Opening balance	877 324	663 089
	Grants received	312 000	503 000
	Conditions met - Operating	(318 581)	(95 925)
	Conditions met - Capital	(126 944)	(192 840)
	Grant expenditure to be recovered	<u>743 799</u>	<u>877 324</u>
	Library grants was utilised for the development of libraries in the Siyancuma area		
22.6	Integrated National Electrification Grant		
	Opening balance	627 932	687 131
	Grants received	(86 598)	2 308 000
	Conditions met - Operating	-	-
	Conditions met - Capital	(541 334)	(2 367 199)
	Conditions still to be met	<u> </u>	<u>627 932</u>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
22.7	Other Grants		
	Opening balance	933 419	(2 695 677)
	Correction of unspent conditional government grants and receipts against	33.08	3 572 848
	Grants received	155 702	143 447
	Conditions met - Operating	-	(87 199)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>1 089 121</u>	<u>933 419</u>
	Various grants were received from other spheres of government		

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2013	2012
		R	R
22.8	Total Grants		
	Opening balance	22 449 946	6 232 504
	Correction of unspent conditional government grants and receipts against	-	3 572 848
	Grants received	56 815 106	53 718 447
	Transfers	(3 873 402)	51 816
	Conditions met - Operating	(38 250 267)	(34 003 899)
	Conditions met - Capital	(27 022 397)	(7 121 770)
		10 118 986	22 449 946
	Conditions still to be met/(Grant expenditure to be recovered)		
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	10 118 985	22 449 946
	Unpaid Conditional Government Grants and Receipts	-	-
		10 118 985	22 449 946
23	SERVICE CHARGES	2013	2012
		R	R
	Electricity	20 576 151	14 572 018
	Service Charges	23 422 825	16 801 307
	Balance previously reported		16 801 059
	Correction of cash suspense and salary control account against service charges		248
	<u>Less:</u> Rebates	(2 846 674)	(2 229 289)
	Water	9 426 288	8 281 001
	Service Charges	10 730 398	9 547 934
	Balance previously reported		9 548 250
	Correction of cash suspense and salary control account against service charges		-316
	<u>Less:</u> Rebates	(1 304 110)	(1 266 933)
	Refuse removal	4 302 061	3 718 363
	Service Charges	4 897 243	4 287 224
	<u>Less:</u> Rebates	(595 182)	(568 861)
	Sewerage and Sanitation Charges	5 096 005	4 482 725
	Service Charges	5 801 027	5 168 522
	<u>Less:</u> Rebates	(705 022)	(685 797)
	Other Service Charges	-	-
	Total Service Charges	39 400 505	31 054 107

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

24		2013	2012
		R	R
OTHER REVENUE			
Sundry income		200 130	232 512
Balance previously reported			232 379
Correction of consumer deposits against other income	33.03		174
Correction of cash suspense and salary control account against other revenue	33.01 33.02		-41.23
Insurance income		11 695	-
Legal cost received		44 427	32 622
Cemetery fees		28 622	28 506
Balance previously reported			29 208
Correction of cash suspense and salary control account against other revenue	33.01 33.02		-702
Other income represents administration income		27 691	8 162
Balance previously reported			16 451
Correction of cash suspense and salary control account against other revenue	33.01 33.02		-8 289
Proceeds of land sales		5 351	-
Finance lease contract cancelled		-	-
Total Other Income		317 916	301 801

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges (camping, fire brigade and impounding fees)

25		2013	2012
		R	R
EMPLOYEE RELATED COSTS			
Employee Related Costs - Salaries and Wages		23 381 253	17 867 045
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids		4 600 032	3 546 045
Balance previously reported			3 627 374
Correction of salary control account and employee related cost against cash and cash equivalents	33.01 33.07		-81 329
Travelling Allowances		2 291 486	1 996 190
Standby Allowance		525 374	402 383
Housing Benefits and Allowances		363 114	386 917
Overtime		1 631 915	1 090 246
Workmens Compensation		-	479 214
Bonuses		1 358 338	1 027 167
Leave reserve		-	1 762
Provision for staff leave		1 203 976	1 051 435
Contribution to provision - Long Service Awards	3	138 445	124 277
Contribution to provision - Post Retirement Medical	3	377 321	320 709
Total Employee Related Costs		35 871 254	28 293 390

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		R	R
25	EMPLOYEE RELATED COSTS		
	KEY MANAGEMENT PERSONNEL		
	<p>The post of the Manager Technical Services was vacant from 01 December 2011 till 1 February 2013. There are no post-employment or termination benefits payable to them at the end of the contract period.</p>		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager (IWJ Stadhouer) - November 2012</i>		
	Annual Remuneration	185 506	344 000
	Subsistence Allowances	10 000	18 000
	Travelling Allowance	48 876	158 236
	Contributions to UIF, Medical and Pension Funds	57 396	118 749
	Cellphone Allowance	3 200	9 600
	Public Allowance	10 000	18 000
	Backpay	183 238	257 275
	Housing	13 627	28 627
	Housing	86 333	-
	Total	598 175	833 738
	<i>Remuneration of the Municipal Manager (HF Nel) - December 2012</i>		
	Annual Remuneration	306 000	-
	Subsistence Allowances	11 001	-
	Travelling Allowance	109 161	-
	Contributions to UIF, Medical and Pension Funds	128 573	-
	Public Allowance	11 001	-
	Total	565 736	-
	<i>Remuneration of the Chief Financial Officer (CJB Müller)</i>		
	Annual Remuneration	829 408	775 788
	Travelling Allowance	60 000	116 939
	Contributions to UIF, Medical and Pension Funds	92 799	1 497
	Cellphone Allowance	9 600	9 600
	Backpay	171 829	4 011
	Total	1 163 635	907 836
	<i>Remuneration of the Director Infrastructure Services (CJ Groenewaldt) - December 2012</i>		
	Annual Remuneration	-	353 636
	Housing	-	18 000
	Travelling Allowance	-	169 766
	Contributions to UIF, Medical and Pension Funds	-	123 347
	Backpay	-	2 356
	Bonuses	-	29 666
	Total	-	696 771
	<i>Remuneration of the Director Infrastructure Services (XS Geco) - February 2013</i>		
	Annual Remuneration	200 000	-
	Housing	13 635	-
	Travelling Allowance	35 000	-
	Contributions to UIF, Medical and Pension Funds	64 609	-
	Cellphone Allowance	4 000	-
	Total	317 244	-
26	REMUNERATION OF COUNCILLORS		
	Executive Mayor: Allowances	445 467	411 887
	Unemployment Insurance Fund	821	-
	Cell phone Allowance	20 640	18 174
	Backpay	18 072	21 129
	Travelling	204 943	138 121
	Councillors: Allowances	1 439 157	1 139 549
	Cell phone Allowance	138 720	113 340
	Backpay	171 268	65 529
	Travelling	626 815	414 328
	Total Councillors' Remuneration	3 065 903	2 322 056
	<i>In-kind Benefits</i>		
	<p>The Mayor is full-time. She is provided with an office, secretarial support and a driver at the cost of the Council.</p>		

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
27	DEBT IMPAIRMENT			
	Trade Receivables from exchange transactions	16	11 527 974	5 988 313
	Trade Receivables from non-exchange transactions	17	1 021 917	2 871 543
	Less: VAT Debt Impairment Provision	9	(1 415 716)	(735 407)
	Total Contribution to Impairment Provisor		11 134 176	8 124 449
28	FINANCE CHARGES			
	Long-term Liabilities		1 076 586	487 809
	Balance previously reported			486 783
	Correction of payables from exchange transactions against finance charges	33.02		1 026
	Actuarial Interest		769 701	803 770
	Landfill Sites		533 317	235 593
	Total finance charges		2 379 604	1 527 172
29	BULK PURCHASES			
	Electricity		22 904 932	20 610 539
	Water		401 210	314 639
	Total Bulk Purchases		23 306 142	20 925 178
30	GRANTS AND SUBSIDIES			
	Mayoral Matric Award		-	14 350
	Total Grants and Subsidies		-	14 350
31	OPERATING GRANT EXPENDITURE			
	Operating grant expenditure per vote			
	Corporate Services		684 938	2 194 896
	Budget & Treasury		802 962	-
	Total Operating grant expenditure		2 172 838	2 194 896
32	GENERAL EXPENSES		2013 R	2012 R
	Act on local government		319 729	179 482
	Advertisements		147 130	145 659
	Audit fees		2 512 879	1 713 179
	Bank charges		278 389	303 926
	Chemicals		249 848	288 656
	Delegation fees		1 066 581	618 084
	Balance previously reported			624 624
	Correction of cash and cash equivalents against general expenditure	33.07		-6 540
	Entertainment: public		112 701	49 391
	Environmental health		2 295	71 163
	Insurance cost		817 226	702 059
	Legal expenses		209 565	621 544
	Membership fees: municipal		400 000	65 344
	Other expenditure		801 760	528 287
	Balance previously reported			436 759
	Correction of payables from exchange transactions and VAT against general expenditure	33.02 33.06		91 528
	Printing & stationary		611 893	447 976
	Balance previously reported			426 935
	Correction of payables from exchange transactions and VAT against general expenditure	33.02 33.06		21 041
	Professional and consultant		3 352 822	1 641 904
	Purchase of refuse bags		100 800	100 800
	Telephone expenses		615 106	683 757
	Training		491 835	68 429
	Valuation fees		-	665 816
	Vehicles: fuel		826 361	-
	Workmens Compensation		346 744	-
	General Expenses		13 263 664	8 895 456

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

				2012 R
33	CORRECTION OF ERROR IN TERMS OF GRAP 3			
33.01	Trade Receivables from exchange transactions			
	Disclosure as required by GRAP 1.			
	Balance previously reported			9 931 327
	Correction of cash suspense and salary control account against statement of financial performance	33.10		293 695
	Correction of cash and cash equivalents against trade and other receivables from exchange transactions incorrectly disclosed in 2012	20		241 585
	Correction of payables from exchange transactions (salary control) against trade and other receivables from exchange transactions incorrectly disclosed in 2012	33.02	7	-5 466
	Correction of cash suspense and salary control account against statement of financial performance	33.02	33.10	-281 813
	Total			10 179 327
33.02	Payables From Exchange Transactions			
	Disclosure as required by GRAP 1.			
	Balance previously reported			4 542 218
	Correction of payables from exchange transactions against statement of financial performance	33.10		1 026
	Correction of cash suspense and salary control account against statement of financial performance	33.01	33.10	20 682
	Correction of payables from exchange transactions (salary control) against trade and other receivables from exchange transactions incorrectly disclosed in 2012	33.01	7	-5 466
	Correction of payables from exchange transactions and VAT against intangible assets	33.06	33.05	4 867
	Correction of payables from exchange transactions and VAT against statement of financial performance	33.06	33.10	115 484
	Total			4 678 812
33.03	Consumer Deposits			
	Disclosure as required by GRAP 1.			
	Balance previously reported			175 556
	Correction of consumer deposits against other income	33.10		-174
	Total			175 382
33.04	Operating Lease Asset/Liability			
	Disclosure as required by GRAP 1.			
	Balance previously reported			118 609
	Correction of operating lease against accumulated surplus	33.09		(5 706)
	Correction of operating lease against statement of financial performance	33.10		-1 659
	Total			111 244
33.05	Intangible Assets			
	Disclosure as required by GRAP 1.			
	Balance previously reported			480 154
	Correction of payables from exchange transactions and VAT against intangible assets	33.06	33.02	4 269
	Total			484 423
33.06	Taxes			
	Disclosure as required by GRAP 1.			
	Balance previously reported			1 814 561
	Correction of payables from exchange transactions and VAT against intangible assets	33.06	33.02	598
	Correction of payables from exchange transactions and VAT against statement of financial performance	33.02	33.10	2 915
	Total			1 818 073
33.07	Cash and Cash Equivalents			
	Disclosure as required by GRAP 1.			
	Balance previously reported			24 011 773
	Correction of cash and cash equivalents against statement of financial performance	33.10		6 540
	Correction of salary control account and statement of financial performance against cash and cash equivalents	33.10		81 329
	Correction of cash and cash equivalents against trade and other receivables from exchange transactions incorrectly disclosed in 2012	20		-241 585
	Total			23 858 057

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2012 R
33.08	Unspent Conditional Government Grants and Receipts		
	Disclosure as required by GRAP 1.		
	Balance previously reported		18 877 098
	Correction of unspent conditional government grants and receipts against accumulated surplus	33.09	3 572 848
	Total		22 449 946
33.09	Accumulated Surplus/(Deficit)		
	Balance previously reported		285 026 608
	Correction of unspent conditional government grants and receipts against accumulated surplus	33.08	-3 572 848
	Correction of operating lease against accumulated surplus	33.04	-5 706
	Total		281 448 054
33.10	Changes to Statement of Financial Performance		
	Balance previously reported		-3 388 472
	Correction of payables from exchange transactions against finance charges	33.02	-1 026
	Correction of cash and cash equivalents against general expenditure	33.07	6 540
	Correction of consumer deposits against other income	33.03	174
	Correction of operating lease against rental of facilities and equipment	33.04	-1 659
	Correction of salary control account and employee related cost against cash and cash equivalents	33.07	81 329
	Correction of cash suspense and salary control account against fines	33.01 33.02	-1 800
	Correction of cash suspense and salary control account against interest earned - external investments	33.01 33.02	4 339
	Correction of cash suspense and salary control account against licences and permits	33.01 33.02	-58
	Correction of cash suspense and salary control account against other revenue	33.01 33.02	-9 033
	Correction of cash suspense and salary control account against rental of facilities and equipment	33.01 33.02	-2 182
	Correction of cash suspense and salary control account against service charges	33.01 33.02	-68
	Correction of payables from exchange transactions and VAT against general expenditure	33.02 33.06	-91 528
	Correction of payables from exchange transactions and VAT against general expenditure	33.02 33.06	-21 041
	Total		-3 424 485

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		R	R
34	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	8 002 157	(3 424 485)
	Adjustments for:		
	Depreciation	11 170 529	10 964 893
	Amortisation of Intangible Assets	73 299	68 611
	Contributed PPE	(105 802)	(1 671 477)
	(Gain)/ loss on disposal of Property Plant and Equipment	90 298	36 368
	Contribution from/to employee benefits - benefits paid	(433 718)	(480 369)
	Contribution from/to employee benefits - non-current - expenditure incurred	1 285 467	1 248 749
	Contribution from/to employee benefits - non-current - actuarial gains	899 666	(127 143)
	Contribution to employee benefits – current	1 399 725	1 147 257
	Contribution to employee benefits – current - expenditure incurred	(316 482)	(113 201)
	Contribution to provisions – current	533 317	235 593
	Contribution to provisions – Debt Impairment	12 573 870	8 859 856
	Fair Value Adjustments	(554 700)	(591 500)
	Operating lease income accrued	(26 760)	(37 281)
	Operating Surplus/(Deficit) before changes in working capital	34 566 888	16 115 871
	Changes in working capital	(24 499 623)	2 667 242
	Increase/(Decrease) in Payables From Exchange Transactions	6 600 897	1 053 918
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(12 330 961)	12 592 778
	Increase/(Decrease) in Taxes	(5 832 476)	(532 147)
	(Increase)/Decrease in Inventory	(214 938)	(107 143)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	-	51 816
	(Increase)/Decrease in Trade Receivables from exchange transactions	(11 834 468)	(9 491 448)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(887 678)	(900 532)
	Cash generated/(absorbed) by operations	10 067 265	18 783 113
		2013	2012
		R	R
35	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits	20 5 500 441	21 509 241
	Cash Floats	20 700	700
	Bank	20 1 284 082	2 348 116
	Total cash and cash equivalents	6 785 223	23 858 057
36	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents	35 6 785 223	23 858 057
	Less:	6 785 223	23 858 057
	Unspent Committed Conditional Grants	8 10 118 985	22 449 946
	Resources available for working capital requirements	(3 333 762)	1 408 111
37	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities	2 8 472 548	5 398 192
	Used to finance property, plant and equipment - at cost	-8 472 548	-2 246 925
	Cash set aside for the repayment of long-term liabilities	-	3 151 267
	Cash invested for repayment of long-term liabilities	-	-

Annuity loans at amortised cost is calculated at 10.05%-16.05% interest rate, with maturity date of 1 December 2017. The loans are unsecured

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2013	2012
		R	R
38.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	57 632 757	46 388 574
	Unauthorised expenditure current year - capita	15 240 555	1 497 385
	Unauthorised expenditure current year - operating	12 639 115	9 746 798
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	85 512 427	57 632 757

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>

	2013	2013	2013	2013
	R	R	R	R
	(Actual)	(Budget)	(Variance)	(Unauthorised)
<u>Unauthorised expenditure current year - operating</u>				
Executive & Council	4 872 225	8 122 792	(3 250 567)	-
Budget & Treasury	19 552 329	24 678 113	(5 125 784)	-
Corporate Services	26 646 669	14 374 209	12 272 460	12 272 460
Health	98 010	344 316	(246 306)	-
Community & Social Services	1 968 773	2 567 364	(598 591)	-
Public Safety	956 530	589 875	366 655	366 655
Sport & Recreation	1 815 894	3 012 355	(1 196 461)	-
Waste Management	3 103 898	13 251 811	(10 147 913)	-
Waste Water Management	6 306 638	9 304 905	(2 998 267)	-
Road Transport	8 288 282	12 542 225	(4 253 943)	-
Water	5 726 260	5 924 058	(197 798)	-
Electricity	27 920 577	34 850 376	(6 929 799)	-
	107 256 085	129 562 399	(22 306 314)	12 639 115

	2013	2013	2013	2013
	R	R	R	R
	(Actual)	(Budget)	(Variance)	(Unauthorised)
<u>Unauthorised expenditure current year - capita</u>				
Executive & Council	1 795 680	350 000	1 445 680	1 445 680
Budget & Treasury	788 653	450 000	338 653	338 653
Corporate Services	4 190 346	130 000	4 060 346	4 060 346
Community & Social Services	55 600	624 000	(568 400)	-
Public Safety	310 045	550 000	(239 955)	-
Waste Management	330 000	330 000	-	-
Waste Water Management	416 705	-	416 705	416 705
Road Transport	8 506 768	-	8 506 768	8 506 768
Water	14 495 758	32 913 000	(18 417 242)	-
Electricity	1 146 404	674 000	472 404	472 404
	32 035 958	36 021 000	(3 985 042)	15 240 555

38.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	300 444	179 507
Fruitless and wasteful expenditure current year	-	120 937
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	300 444	300 444

Incident	Disciplinary steps/criminal proceedings
<i>2012 - Interest on different vendors - R65 155</i>	<i>None</i>
<i>2012 - Interest and unsupported payments - ESKOM - R22 776</i>	<i>None</i>
<i>2012 - Penalties for late submission of assessments - Office of the Compensation Commissioner - R33 025</i>	<i>None</i>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2013 R	2012 R										
38.3	<u>Irregular expenditure</u>												
	Reconciliation of irregular expenditure:												
	Opening balance	8 509 893	4 320 707										
	Irregular expenditure current year	-	4 189 185										
	Condoned or written off by Council	-	-										
	Transfer to receivables for recovery - not condoned	-	-										
	Irregular expenditure awaiting condonement	8 509 893	8 509 893										
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>2012 - List of Irregular expenditure. - R1 672 355</td><td>None</td></tr><tr><td>2012 - Related party transactions - R1 915 098.47</td><td>None</td></tr><tr><td>2012 - Micro Mega - Invalid contract extension - R347 622.12</td><td>None</td></tr><tr><td>2012 - No contract is in place with HV Electrical - R254 109.72</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	2012 - List of Irregular expenditure. - R1 672 355	None	2012 - Related party transactions - R1 915 098.47	None	2012 - Micro Mega - Invalid contract extension - R347 622.12	None	2012 - No contract is in place with HV Electrical - R254 109.72	None		
Incident	Disciplinary steps/criminal proceedings												
2012 - List of Irregular expenditure. - R1 672 355	None												
2012 - Related party transactions - R1 915 098.47	None												
2012 - Micro Mega - Invalid contract extension - R347 622.12	None												
2012 - No contract is in place with HV Electrical - R254 109.72	None												
38.4	<u>Material Losses</u>												
	Electricity distribution losses												
	Units purchased (Kwh)	31 057 249	27 680 359										
	- Units lost during distribution (Kwh)	7 199 723	11 281 375										
	- Percentage lost during distribution	23.18%	40.76%										
	Water distribution losses												
	- Mega litres purified	1 879 573	1 460 400										
	- Mega litres lost during distribution	95 973	-332 730										
	- Percentage lost during distribution	5.11%	-22.78%										
39	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2013 R	2012 R										
39.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>												
	Opening balance	-	-										
	Council subscriptions	400 000	65 344										
	Amount paid - current year	(400 000)	(65 344)										
	Amount paid - previous years	-	-										
	Balance unpaid (included in creditors)	-	-										
39.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>												
	Opening balance	2 589 917	2 486 892										
	Current year audit fee	1 950 505	1 953 025										
	Amount paid - current year	-	-										
	Amount paid - previous year	(2 164 916)	(1 850 000)										
	Balance unpaid (included in creditors)	2 375 506	2 589 917										
39.3	<u>VAT - [MFMA 125 (1)(b)]</u>												
	VAT	7 650 550	1 818 073										
	VAT is payable/receivable on the cash basis.												

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
39.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	5 599 572	3 790 084
Amount paid - current year	-5 599 572	-3 790 084
Balance unpaid (included in creditors)	-	-

39.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	5 731 688	4 392 015
Amount paid - current year	-5 731 688	-4 392 015
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

39.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2013:

	2013 R Outstanding more than 90 days	2012 R Outstanding more than 90 days
D. Koopman	-	323
A. Olifant	16 775	14 567
L. Oliphant	35 005	35 005
R. Galant	9 431	9 431
R. Ruele	2 070	2 070
A. Marekwa	33 005	35 005
F. Swarts	35 005	35 005
K. Mgade	35 005	35 005
C. Olyn	33 005	35 005
Total Councillor Arrear Consumer Accounts	199 301	201 416

39.7 Non-Compliance with MFMA

* Section 65(2)(e) of the MFMA: Creditors were not paid within the 30 day limit.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
40 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:	25 669 062	45 965 438
Infrastructure	25 669 062	45 965 438
Total	25 669 062	45 965 438
This expenditure will be financed from:		
Government Grants	25 669 062	45 965 438
	25 669 062	45 965 438

41 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2010 - 0.5%) Increase in interest rates	(8 440)	92 296
0.5% (2010 - 0.5%) Decrease in interest rates	8 440	(92 296)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 16 for balances included in receivables that were re-negotiated for the period under review.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

41 FINANCIAL RISK MANAGEMENT (CONTINUE)

			2013	2012
			R	R
Balances past due not impaired:				
	2013	2013	2012	2012
	%	R	%	R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	726 401	100.00%	842 926
<u>Exchange Receivables</u>				
Electricity	2%	134 800	3.21%	253 715
Water	54%	3 818 811	51.51%	4 068 540
Refuse	17%	1 207 403	16.33%	1 290 224
Sewerage	23%	1 670 696	23.48%	1 854 709
Other	4%	305 475	5.47%	431 991
	100.00%	7 137 185	100.00%	7 899 179

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2013	2013	2012	2012
	%	R	%	R
Electricity	7.11%	3 861 047	7.57%	3 159 233
Water	45.09%	24 480 318	43.81%	18 287 431
Refuse	14.43%	7 836 332	14.10%	5 883 915
Sewerage	19.76%	10 728 308	19.90%	8 306 629
Other Consumer Arrears	3.84%	2 084 078	4.37%	1 824 900
Rates	9.76%	5 300 178	10.25%	4 278 261
	100.00%	54 290 260	100.00%	41 740 369

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows

Long term receivables	-	-
Trade receivables and other receivables	11 421 147	11 248 892
Cash and Cash Equivalents	6 785 223	23 858 057
Unpaid conditional grants and subsidies	-	-
	18 206 370	35 106 949

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R2012
R

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities	4 932 296	9 163 252	-	-
Capital repayments	3 789 833	6 245 649	-	-
Interest	1 142 463	2 917 603	-	-
Payables From Exchange Transactions	11 279 709	-	-	-
Unspent conditional government grants and receipts	10 118 985	-	-	-
	<u>26 330 990</u>	<u>9 163 252</u>	<u>-</u>	<u>-</u>
2012				
Long Term liabilities	720 000	2 400 001	-	-
Capital repayments	471 274	2 001 606	-	-
Interest	248 726	398 395	-	-
Payables From Exchange Transactions	4 542 218	-	-	-
Non-Current Provisions	-	-	-	-
Unspent conditional government grants and receipts	18 877 098	-	-	-
	<u>24 139 316</u>	<u>2 400 001</u>	<u>-</u>	<u>-</u>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
42	FINANCIAL INSTRUMENTS		
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
42.1	Financial Assets		
	Classification IAS 39		
	Long-term Receivables		
	Trade and other receivables with arrangements	-	-
	Consumer Debtors		
	Trade receivables from exchange transactions	55 183 534	44 546 510
	Other receivables from exchange transactions	4 292 369	3 094 925
	Other receivables from non-exchange transactions		
	Less non financial instruments disclosed previous financial year.		
	Other Debtors		
	Government Subsidies and Grants	-	-
	Current Portion of Long-term Receivables		
	Trade and other receivables with arrangements	-	-
	Short-term Investment Deposits		
	Call Deposits	5 500 441	21 509 241
	Bank Balances and Cash		
	Bank Balances	1 284 082	2 348 116
	Cash Floats and Advances	700	700
		66 261 126	71 499 492
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	66 261 126	71 499 492
42.2	Financial Liability		
	Classification IAS 39		
	Long-term Liabilities		
	Annuity Loans	2 467 492	1 847 703
	Capitalised Lease Liability	3 865 068	2 229 861
	Trade Payables		
	Trade creditors	10 866 245	4 274 746
	Retentions	-	-
	Deposits	-	-
	Unspent Conditional Grants and Receipts		
	Other Spheres of Government	10 118 985	22 449 946
	Current Portion of Long-term Liabilities		
	Annuity Loans	804 621	543 590
	Capitalised Lease Liability	1 335 367	777 038
	Bank Balances and Cash		
	Bank Balances	-	-
		29 457 778	32 122 884
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	29 457 778	32 122 884

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013	2012
			R	R
43	EVENTS AFTER THE REPORTING DATE			
	The municipality has no events after reporting date during the financial year ended 30 June 2013			
44	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality received equipment Department of Roads and Public Works to the value of R106 286 and 150 chairs from Sassa to the value of R2 816.			
45	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
46	CONTINGENT LIABILITY			
	Siyancuma Municipality is ordered by SALGBC to pay the applicants for the unfair suspension of specific staff members on 4 October 2010. Siyancuma has appealed the case. This is due to the case of alleged theft at the vehicle registration office		169 022	169 022
	Siyancuma Municipality is fined R10 000 by SALGBC.		10 000	10 000
	Siyancuma Municipality can be held liable for dismissal of a personnel member.		9 000	9 000
	Siyancuma Municipality and two consumers are currently in a legal dispute that will result in possible legal cost and write off of outstanding rate accounts by Municipality.			-
	Siyancuma Municipality has a possible liability with regards to the landfill site licence which is outstanding, the amount of the liability is unknown.			-
47	RELATED PARTIES			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
47.1	Related Party Transactions			
		Rates - Levied 1 July 2012 - 30 June 2013	Service Charges - Levied 1 July 2012 - 30 June 2013	Other - Levied 1 July 2012 - 30 June 2013
				Outstanding Balances 30 June 2013
	Year ended 30 June 2013			
	Councillors	7 606	32 082	185 311
	D. Koopman 100986/102213	1 976	4 992	-
	A. Oliphant 3C0500/300500	-	1 471	2 785
	L van Niekerk 100153/100756	5 630	25 619	-
	L. Oliphant	-	-	35 005
	R. Galant	-	-	9 431
	R. Ruele	-	-	2 070
	A. Marekwa	-	-	33 005
	F. Swarts	-	-	35 005
	K. Mgade	-	-	35 005
	C. Olyn	-	-	33 005
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.			
47.2	Related Party Loans			
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note to the Annual Financial Statements.			
47.3	Compensation of key management persone			
	The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.			
47.4	Other related party transactions		2013	2012
			R	R
	The following purchases were made during the year where Councillors or Management have an interest:			
	I.W.J. Stadhouer, Municipal Manager, is a director at GWK and C.J.B. Müller, CFO, is a shareholder at GWK.		1 633 188	1 915 098
	Mr Walter Saaiman, the brother-in-law of the Municipal Manager of Siyancuma Local Municipality, Mr I.W.J. Stadhouer, has a contract for lease of commonage.			
			<u>1 633 188</u>	<u>1 915 098</u>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost			Accumulated Depreciation			Carrying Value		
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R		Disposals R	Closing Balance R
30 June 2013									
Land and Buildings	31 861 600	77 696	-324 000	31 615 296	499 345	98 715	-	598 060	31 017 236
Land	21 876 600	-	-324 000	21 552 600	-	-	-	-	21 552 600
Buildings	9 976 000	77 696	-	10 053 696	499 345	98 715	-	598 060	9 455 636
Transfer from Heritage Assets	9 000	-	-	9 000	-	-	-	-	9 000
Infrastructure	259 241 982	24 466 057	-	283 708 039	42 805 946	8 941 105	-	51 747 051	231 960 988
Road Network	58 232 645	8 484 678	-	66 717 322	9 553 265	2 100 839	-	11 654 104	55 063 218
Sanatation Network	64 460 578	376 700	-	64 837 278	10 507 575	2 213 834	-	12 721 408	52 115 870
Electricity Network	48 070 501	1 146 404	-	49 216 904	8 950 883	1 785 399	-	10 736 282	38 480 622
Water Network	83 474 739	14 458 276	-	97 933 015	12 867 728	2 667 285	-	15 535 013	82 398 001
Stormwater Network	5 003 520	-	-	5 003 520	926 495	173 748	-	1 100 243	3 903 276
Community Assets	23 375 500	80 723	-	23 456 223	636 576	125 404	-	761 980	22 694 243
Library	244 500	55 600	-	300 100	12 399	3 135	-	15 534	284 566
Cemetery	176 000	-	-	176 000	8 810	1 742	-	10 551	165 449
Commonage	5 374 000	-	-	5 374 000	-	-	-	-	5 374 000
Community Halls	1 234 000	25 123	-	1 259 123	61 767	12 248	-	74 015	1 185 108
Game Farm	8 171 000	-	-	8 171 000	-	-	-	-	8 171 000
Holiday Resort	6 940 000	-	-	6 940 000	347 378	68 673	-	416 051	6 523 949
Sport Facilities	1 236 000	-	-	1 236 000	206 221	39 607	-	245 828	990 172
Heritage Assets	-	-	-	-	-	-	-	-	-
Historical Buildings	9 000	-	-	9 000	-	-	-	-	9 000
Transfer to Land and Buildings	-9 000	-	-	-9 000	-	-	-	-	-9 000
Lease Assets	3 882 669	4 040 419	-3 206 721	4 716 366	1 184 908	1 134 799	-1 705 477	614 230	4 102 136
Office Equipment	3 882 669	4 040 419	-3 206 721	4 716 366	1 184 908	1 134 799	-1 705 477	614 230	4 102 136
Other Assets	7 817 065	3 371 064	-440 941	10 747 187	2 071 226	904 726	-425 247	2 550 705	8 196 482
Air Conditioner	452 605	57 542	-49 386	460 760	258 942	44 434	-47 801	255 576	205 185
Chairs	194 399	34 456	-15 827	213 028	92 847	27 301	-15 020	105 128	107 900
Electronic Equipment	133 318	562 078	-28 464	666 932	70 641	43 593	-27 333	86 901	580 031
Motor Vehicles	685 990	-	-	685 990	61 162	65 274	-	126 437	559 553
Furniture & Fittings	567 434	49 226	-40 780	575 879	235 852	58 437	-38 607	255 682	320 197
Office Equipment	19 947	-	-6 649	13 298	13 678	2 838	-6 439	10 077	3 221
Trailers	211 061	-	-21 316	189 746	99 048	33 913	-24 267	108 695	81 051
Tables and desks	159 900	51 887	-18 300	193 487	83 511	17 092	-17 561	83 042	110 445
Tractors	211 000	-	-	211 000	51 718	12 811	-	64 529	146 471
Trucks	4 027 540	2 118 199	-	6 145 739	672 311	344 677	-	1 016 988	5 128 751
Works Equipment	445 718	111 392	-82 552	474 558	79 423	99 358	-77 527	101 254	373 304
Computer hardware	708 153	386 285	-177 667	916 771	352 092	154 997	-170 692	336 397	580 374
	326 178 816	32 035 958	-3 971 662	354 243 111	47 198 001	11 204 750	-2 130 724	56 272 027	297 971 085

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R	Opening Balance R	Accumulated Depreciation Depreciation Charge R	Disposals R	Closing Balance R	Carrying Value R
30 June 2012									
Land and Buildings	31 852 600	-	-	31 852 600	399 315	100 030	-	499 345	31 353 255
Land	21 876 600	-	-	21 876 600	-	-	-	-	21 876 600
Buildings	9 976 000	-	-	9 976 000	399 315	100 030	-	499 345	9 476 655
Infrastructure	252 611 760	6 630 222	-	259 241 982	33 473 534	9 332 411	-	42 805 946	216 436 036
Road Network	58 232 645	-	-	58 232 645	7 335 006	2 218 258	-	9 553 265	48 679 380
Sanitation Network	62 397 167	2 063 411	-	64 460 578	8 193 517	2 314 058	-	10 507 575	53 953 004
Electricity Network	45 412 652	2 657 849	-	48 070 501	7 108 166	1 842 717	-	8 950 883	39 119 618
Water Network	81 565 777	1 908 962	-	83 474 739	10 095 935	2 771 793	-	12 867 728	70 607 011
Stormwater Network	5 003 520	-	-	5 003 520	740 910	185 585	-	926 495	4 077 024
Community Assets	23 375 500	-	-	23 375 500	509 011	127 565	-	636 576	22 738 924
Libraries	244 500	-	-	244 500	9 869	2 530	-	12 399	232 101
Cemetery	176 000	-	-	176 000	7 045	1 765	-	8 810	167 190
Commonage	5 374 000	-	-	5 374 000	-	-	-	-	5 374 000
Community Halls	1 234 000	-	-	1 234 000	49 394	12 373	-	61 767	1 172 233
Game Farm	8 171 000	-	-	8 171 000	-	-	-	-	8 171 000
Holiday Resort	6 940 000	-	-	6 940 000	277 790	69 588	-	347 378	6 592 622
Sport Facilities	1 236 000	-	-	1 236 000	164 913	41 309	-	206 221	1 029 779
Heritage Assets	9 000	-	-	9 000	-	-	-	-	9 000
Historical Buildings	9 000	-	-	9 000	-	-	-	-	9 000
Lease Assets	3 458 529	424 140	-	3 882 669	449 898	735 010	-	1 184 908	2 697 761
Office Equipment	3 458 529	424 140	-	3 882 669	449 898	735 010	-	1 184 908	2 697 761
Other Assets	3 877 743	4 409 845	-470 523	7 817 065	1 779 081	622 801	-330 655	2 071 226	5 745 839
Air Conditioner	421 867	30 737	-	452 605	211 179	47 763	-	258 942	193 663
Chairs	157 853	36 546	-	194 399	73 198	19 649	-	92 847	101 552
Electronic Equipment	113 822	19 496	-	133 318	54 363	16 279	-	70 641	62 676
Motor vehicles	35 000	685 990	-35 000	685 990	23 349	62 409	-24 596	61 162	624 827
Furniture & Fittings	495 447	71 987	-	567 434	183 410	52 442	-	235 852	331 582
Office Equipment	17 250	2 697	-	19 947	11 941	1 737	-	13 678	6 269
Trailer	206 316	34 746	-30 000	211 061	101 538	18 593	-21 082	99 048	112 013
Tables and desks	159 900	-	-	159 900	68 573	14 938	-	83 511	76 389
Tractors	287 000	-	-76 000	211 000	81 346	23 780	-53 408	51 718	159 282
Trucks	1 289 523	3 067 540	-329 523	4 027 540	664 132	239 748	-231 569	672 311	3 355 229
Works Equipment	107 440	338 278	-	445 718	50 449	28 974	-	79 423	366 296
Computer hardware	586 326	121 828	-	708 153	255 603	96 489	-	352 092	356 061
	315 185 132	11 464 207	-470 523	326 178 816	36 610 839	10 917 817	-330 655	47 198 001	278 980 815

APPENDIX A - Unaudited
SIYANCUMA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2012	Change in Accounting Policy	Balance at 30 June 2012 Restated	Received during the period	Redeemed written off during the period	Balance at 30 June 2013
ANNUITY LOANS									
DBSA - Loan 101 Lalf 15104 - 11	10.05%	11623	2012/12/31	21 527	-	21 527	-	(21 527)	-
DBSA - Loan 101 Lalf 15104 - 12	10.05%	11624	2011/12/31	2	-	2	-	(2)	-
DBSA - Loan 101 Lalf 15104 - 14	13.75%	11626	2015/06/30	275 698	-	275 698	-	(79 963)	195 735
DBSA - Loan 101 Lalf 15104 - 15	16.05%	11627	2013/06/30	59 154	-	59 154	-	(59 154)	-
NISSAN NP200 CDR 062 NC	10.50	Standard Bank	2016/11/01	98 831	-	98 831	-	(18 561)	80 270
NISSAN NP200 CDN 916 NC	10.50	Standard Bank	2016/10/01	97 206	-	97 206	-	(18 695)	78 511
NISSAN HARDBODY NP300 CDN 914	10.50	Standard Bank	2016/11/01	139 838	-	139 838	-	(26 263)	113 575
NISSAN HARDBODY NP300 CDP 880	10.50	Standard Bank	2016/11/01	139 559	-	139 559	-	(26 210)	113 349
HYUNDAI H100 CDP 690 NC	10.50	Standard Bank	2016/10/01	181 538	-	181 538	-	(34 913)	146 625
JOHN DEERE CFR 787 NC (017)	10.50	Standard Bank	2017/07/01	-	-	-	262 725	(38 652)	224 073
TATA TIPPER CFZ 066 NC (019)	10.50	Standard Bank	2017/09/01	-	-	-	632 130	(73 820)	558 310
NISSAN HARDBODY NP300 CDP 876	10.00	Standard Bank	2016/11/01	203 906	-	203 906	-	(38 296)	165 610
NISSAN TIIDA CDP 877 NC	10.50	Standard Bank	2016/11/01	161 321	-	161 321	-	(30 297)	131 024
QUANTUM CDP 884 NC	10.50	Standard Bank	2016/11/01	298 759	-	298 759	-	(56 110)	242 649
NISSAN HARDBODY CDZ032 NC	10.50	Standard Bank	2016/12/01	141 396	-	141 396	-	(25 942)	115 454
NISSAN HARDBODY CDT 116 NC	10.50	Standard Bank	2016/12/01	141 679	-	141 679	-	(25 994)	115 685
NISSAN HARDBODY CDT 114 NC	10.50	Standard Bank	2016/12/01	141 679	-	141 679	-	(25 994)	115 685
NISSAN HARDBODY CDP 879 NC	10.50	Standard Bank	2012/11/01	139 439	-	139 439	-	(26 188)	113 251
TOYOTA HILUX CDK 987 NC	10.50	Standard Bank	2016/09/02	149 761	-	149 761	-	(29 504)	120 257
TATA HONEY SUCKER CFZ 858 NC	10.00	Standard Bank	2017/08/01	-	-	-	742 726	(100 676)	642 050
Total Annuity Loans				2 391 293	-	2 391 293	1 637 581	(756 761)	3 272 113

APPENDIX A - Unaudited
SIYANCUMA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2012	Change in Accounting Policy	Balance at 30 June 2012 Restated	Received during the period	Redeemed written off during the period	Balance at 30 June 2013
LEASE LIABILITY									
Nashua - GK500568-500586	11.00%	Nashua	2015/10/30	2 001 606	-	2 001 606	-	(1 379 025)	622 581
PABX - MP 2000 and DTPC 430	9.00%	Nashua	2016/07/30	116 503	-	116 503	-	(24 718)	91 785
CCTV camera P10400003	9.00%	Nashua	2015/03/31	106 292	-	106 292	-	(35 657)	70 635
MP 201 SPF	9.00%	Nashua	2016/11/30	47 219	-	47 219	-	(47 219)	-
PABX - PA 188918	9.00%	Nashua	2017/01/31	163 910	-	163 910	-	(30 252)	133 658
Various A	9.00%	Nashua	2015/12/31	119 770	-	119 770	-	(104 788)	14 982
Various B	9.00%	Nashua	2015/10/31	451 599	-	451 599	-	(422 905)	28 694
Various (R15200)	8.50%	Nashua	2017/11/30	-	-	-	844 587	(81 126)	763 461
Various (R46000)	8.50%	Nashua	2018/02/28	-	-	-	2 555 988	(138 807)	2 417 181
Clocking System	8.50%	Nashua	2017/10/30	-	-	-	230 594	(25 404)	205 190
CCTV System	8.50%	Nashua	2018/05/01	-	-	-	127 244	(3 431)	123 813
Various (R27000)	8.50%	Nashua	2015/08/31	-	-	-	974 908	(246 453)	728 455
Total Lease Liabilities				3 006 899	-	3 006 899	4 733 321	(2 539 785)	5 200 435
TOTAL EXTERNAL LOANS				5 398 192	-	5 398 192	6 370 902	(3 296 546)	8 472 548

APPENDIX B - Unaudited
SIYANCUMA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
7 780 744	-	7 780 744	Assesment Rates	10 596 850	-	10 596 850
28 506	(166 447)	(137 941)	Cemetary	28 622	(369 336)	(340 714)
-	-	-	Civic Centre	-	-	-
4 287 224	(2 307 723)	1 979 501	Cleansing	4 897 243	(3 103 898)	1 793 345
11 769 645	(20 980 850)	(9 211 205)	Corporate and Human Resources	322 107	(23 837 960)	(23 515 853)
88 716	(1 066 721)	(978 005)	Douglas Holiday Resort	227 504	(719 565)	(492 061)
16 052 279	(25 088 917)	(9 036 638)	Electricity	22 864 845	(28 542 258)	(5 677 413)
32 393 511	(10 650 311)	21 743 200	Finance	35 636 951	(17 196 290)	18 440 661
194 830	(226 287)	(31 457)	Fire Bridge	-	(306 812)	(306 812)
-	(2 642 765)	(2 642 765)	Governance - Council	-	(4 872 225)	(4 872 225)
-	(180 867)	(180 867)	Health Services	-	(127 332)	(127 332)
-	180	180	Interns	1 500 000	(1 544 469)	(44 469)
209	(1 204 046)	(1 203 837)	Library	445 729	(1 637 326)	(1 191 597)
118	-	118	Licences	6 072	-	6 072
85 049	-	85 049	Meent	125 166	-	125 166
-	(2 605 504)	(2 605 504)	Municipal Manager	-	(2 808 709)	(2 808 709)
-	(1 214 053)	(1 214 053)	Parks and Recreation	-	(1 271 500)	(1 271 500)
77 162	(1 275 134)	(1 197 972)	Properties	64 713	(1 015 343)	(950 630)
-	(6 842 023)	(6 842 023)	Public Works: Roads	454 998	(8 299 026)	(7 844 028)
-	(235 593)	(235 593)	Sanitation	-	-	-
5 167 621	(5 098 786)	68 835	Sewerage and Sanitation	5 801 027	(6 447 489)	(646 462)
-	(79 239)	(79 239)	Traffic	49 604	(649 718)	(600 114)
5 538 314	(6 635 685)	(1 097 371)	Water	32 236 811	(6 257 311)	25 979 500
83 463 928	(88 500 771)	(5 036 843)	Sub Total	115 258 242	(109 006 567)	6 251 675
-	1 612 357	1 612 357	Less Inter-Departmental Charges	-	1 750 482	1 750 482
83 463 928	(86 888 414)	(3 424 486)	Total	115 258 242	(107 256 085)	8 002 157

APPENDIX C - Unaudited
SIYANCUMA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
-	(2 642 765)	(2 642 765)	Executive & Council	-	(4 872 225)	(4 872 225)
40 251 417	(11 925 265)	28 326 152	Budget & Treasury	47 798 514	(19 756 102)	28 042 412
11 854 694	(23 586 354)	(11 731 660)	Corporate Services	447 273	(26 646 669)	(26 199 396)
-	(180 867)	(180 867)	Health	-	(127 332)	(127 332)
28 715	(1 370 493)	(1 341 778)	Community & Social Services	474 351	(2 006 662)	(1 532 311)
194 948	(305 526)	(110 578)	Public Safety	55 676	(956 530)	(900 854)
88 716	(2 280 774)	(2 192 058)	Sport & Recreation	227 504	(1 991 065)	(1 763 561)
4 287 224	(2 543 316)	1 743 908	Waste Management	4 897 243	(3 103 898)	1 793 345
5 167 621	(5 098 786)	68 835	Waste Water Management	5 801 027	(6 447 489)	(646 462)
-	(6 842 023)	(6 842 023)	Road Transport	454 998	(8 299 026)	(7 844 028)
5 538 314	(6 635 685)	(1 097 371)	Water	32 236 811	(6 257 311)	25 979 500
16 052 279	(25 088 917)	(9 036 638)	Electricity	22 864 845	(28 542 254)	(5 677 409)
						-
83 463 928	(88 500 771)	(5 036 843)	Sub Total	115 258 242	(109 006 563)	6 251 679
-	1 612 357	1 612 357	Less Inter-Departmental Charges	-	1 750 482	1 750 482
83 463 928	(86 888 414)	(3 424 486)	Total	115 258 242	(107 256 081)	8 002 161

APPENDIX D - Unaudited
SIYANCUMA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 July 2012	Correction of error	Restated balance 1 July 2012	Contributions during the year	Transfer	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2013
UNSPENT/UNPIAD CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R	R	R
Library Project	877 324	-	877 324	312 000	-	-	-	318 581	126 944	743 799
Brickmaking Project	1 897	(1 897)	-	-	-	-	-	-	-	-
Housing Schmidtsdrift	(1 525 950)	1 525 950	-	-	-	-	-	-	-	-
Douglas/Bongani Parks	10 946	(10 946)	-	-	-	-	-	-	-	-
WSA Capacity Building Programme	(27)	27	-	-	-	-	-	-	-	-
FMG	-	-	-	1 500 000	-	-	-	1 424 370	75 630	-
Equitable Share	-	-	-	31 121 000	4 559 000	-	-	35 680 000	-	-
Droughth Relief	951	(951)	-	-	-	-	-	-	-	-
MSIG	-	-	-	800 000	-	-	-	402 954	397 046	-
MIG	20 813 896	-	20 813 896	20 513 000	(8 432 402)	-	-	-	25 850 807	7 043 687
Schmidtsdrift Electrification	(9 873)	9 873	-	-	-	-	-	-	-	-
Impumelelo Awards HIV/AIDS	21 092	(21 092)	-	-	-	-	-	-	-	-
Learnership De Aar	-	-	-	-	-	-	-	-	-	-
Siyancuma Town Planning	(1 096 971)	1 096 971	-	-	-	-	-	-	-	-
LG Seta	130 794	-	130 794	155 702	-	-	-	-	-	286 496
Sports Development	12 079	(12 079)	-	-	-	-	-	-	-	-
Excess Road Mathlomola	(230 154)	230 154	-	-	-	-	-	-	-	-
EPWP	(802 625)	802 625	-	2 500 002	-	-	-	424 362	30 636	2 045 004
Royalties Mines (Streets)	45 787	(45 787)	-	-	-	-	-	-	-	-
Department of Minerals & Energy	627 932	-	627 932	600 000	(686 598)	-	-	-	541 334	-
Total	18 877 098	3 572 848	22 449 946	57 501 704	-4 560 000	-	-	38 250 268	27 022 396	10 118 985